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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1-1-2009 AND ENDING 12-31-2009
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: PFA Security Asset Management Inc

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

704 Lisburn Rd. Ste 102

(No. and Street)

Camp Hill

(City)

PA

(State)

17011

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Brown Schultz Sheridan + Fritz

(Name - if individual, state last, first, middle name)

210 Grandview Ave

(Address)

Camp Hill

(City)

PA

(State)

17011

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, David L Englehart, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PFA Security Asset Management Inc, as of February 25, 20 10, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

David L Englehart
Signature

VICE PRESIDENT
Title

Elizabeth M. Swezey
Notary Public

COMMONWEALTH OF PENNSYLVANIA

Notarial Seal

Elizabeth M. Swezey, Notary Public
Lower Allen Twp., Cumberland County
My Commission Expires Nov. 12, 2013

Member, Pennsylvania Association of Notaries

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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**PFA SECURITY ASSET
MANAGEMENT, INC.**

**YEAR ENDED
DECEMBER 31, 2009**

PFA SECURITY ASSET MANAGEMENT, INC.

YEAR ENDED DECEMBER 31, 2009

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Independent Auditors' Report

Stockholders
PFA Security Asset Management, Inc.
Camp Hill, Pennsylvania

We have audited the accompanying balance sheet of PFA Security Asset Management, Inc. as of December 31, 2009 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PFA Security Asset Management, Inc. as of December 31, 2009 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Brown Schultz Sheridan & Fritz

Camp Hill, Pennsylvania
February 23, 2010

PFA SECURITY ASSET MANAGEMENT, INC.

BALANCE SHEET – DECEMBER 31, 2009

ASSETS

| | |
|---------------------------|-------------------------|
| Cash and cash equivalents | \$ 8,400 |
| Accounts receivable | <u>13,068</u> |
| Total assets | <u><u>\$ 21,468</u></u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|-------------------------|
| Liabilities, accounts payable | <u>\$ 13,068</u> |
| Stockholders' equity: | |
| Common stock, no par value; 1,000 shares authorized; 71.74 shares issued and outstanding | 1,000 |
| Additional paid-in capital | 47,216 |
| Accumulated deficit | (34,816) |
| Less treasury stock, 28.26 shares at cost | <u>(5,000)</u> |
| Total stockholders' equity | <u>8,400</u> |
| Total liabilities and stockholders' equity | <u><u>\$ 21,468</u></u> |

See notes to financial statements.

PFA SECURITY ASSET MANAGEMENT, INC.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2009

| | <u>Amount</u> | <u>Percentage of income</u> |
|--------------------|------------------|---------------------------------|
| Commission income | \$ 1,173,893 | 100.0 % |
| Operating expenses | <u>1,173,766</u> | <u>99.9</u> |
| Net income | <u>\$ 127</u> | <u>0.1 %</u> |

See notes to financial statements.

PFA SECURITY ASSET MANAGEMENT, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2009

| | <u>Common stock</u> | <u>Additional paid-in capital</u> | <u>Accumulated deficit</u> | <u>Treasury stock</u> | <u>Total</u> |
|----------------------------|-------------------------|---|--------------------------------|---------------------------|-----------------|
| Balance, December 31, 2008 | \$ 1,000 | \$ 47,216 | \$ (34,943) | \$ (5,000) | \$ 8,273 |
| Net income | | | 127 | | 127 |
| Balance, December 31, 2009 | <u>\$ 1,000</u> | <u>\$ 47,216</u> | <u>\$ (34,816)</u> | <u>\$ (5,000)</u> | <u>\$ 8,400</u> |

See notes to financial statements.

PFA SECURITY ASSET MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

Cash flows from operating activities:

| | |
|-----------------------------------|--------------|
| Net income | \$ 127 |
| Adjustments: | |
| (Increase) in accounts receivable | (1,339) |
| Increase in accounts payable | <u>1,212</u> |

Net cash provided by operating activities

-

Cash:

| | |
|-------------------|------------------------|
| Beginning of year | <u>8,400</u> |
| End of year | <u><u>\$ 8,400</u></u> |

See notes to financial statements.

PFA SECURITY ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

1. Summary of significant accounting policies:

Nature of operations:

PFA Security Asset Management, Inc. (the Corporation) was incorporated in the State of Arizona on July 20, 1999. The Corporation is registered as a broker-dealer under the U.S. Securities Exchange Act of 1934. The Corporation's operations are limited to investment company products and variable insurance contracts.

Accounting method and revenue recognition:

The financial statements reflect the accrual method of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Accounts receivable and bad debt:

The Corporation writes off any accounts deemed to be uncollectible. Potential bad debt at the end of the period is immaterial in relation to total accounts receivable. Therefore, a reserve for doubtful accounts has not been established.

Income taxes:

The Corporation has elected taxation as a Subchapter S Corporation for federal and state income tax purposes. Consequently, tax liabilities are the responsibility of the Corporation's stockholders. Therefore, no income tax provision is reflected in the financial statements.

Effective January 1, 2009, the Corporation adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, as now codified in FASB Accounting Standards Codification (ASC) 740, to account for uncertainty in income taxes. There was no impact on the financial position or results of operations from adoption. The Corporation files U.S. federal, Pennsylvania and Arizona state income tax returns. The Corporation is currently open to audit under the statute of limitations by the Internal Revenue Service and the state of Pennsylvania for the years ended December 31, 2006 through 2009, and the state of Arizona for the years ended December 31, 2005 through 2009.

PFA SECURITY ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2009

1. Summary of significant accounting policies (continued):

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent events:

The Corporation has evaluated subsequent events through February 23, 2010, the date which the financial statements were available to be issued.

2. Net capital requirements:

The Corporation is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid, if the resulting net capital ratio would exceed 10 to 1). At December 31, 2009, the Corporation had net capital of \$8,400, which was \$3,400 in excess of its required net capital of \$5,000. The Corporation's net capital ratio was 1.56 to 1 at December 31, 2009.

3. Related party transactions:

All of the Corporation's commission expenses are paid to certain stockholders of the Corporation. Commission expenses were \$1,140,369 for the year ended December 31, 2009. Commission expenses due to certain stockholders at December 31, 2009 were \$8,818.

The Corporation incurred \$33,396 to PFA Professional Group, LLC in 2009 for general and administrative costs, of which \$4,250 is included in accounts payable at December 31, 2009. The Corporation shares common ownership with PFA Professional Group, LLC.

4. Concentration:

The Corporation received 92% of its 2009 commission income from one investment provider and an additional 5% from another provider.



Independent Auditors' Report On
Supplementary Information Required By
Rule 17a-5 Of The Securities And Exchange Commission

Stockholders
PFA Security Asset Management, Inc.
Camp Hill, Pennsylvania

We have audited the accompanying basic financial statement of PFA Security Asset Management, Inc. as of December 31, 2009, and have issued our report dated February 23, 2010. Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The information contained in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statement, but is supplementary information required by Rule 17a-5 under the U.S. Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and in our opinion is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

Brown Schultz Sheridan & Fritz

Camp Hill, Pennsylvania
February 23, 2010

PFA SECURITY ASSET MANAGEMENT, INC.

**SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF
THE SECURITIES AND EXCHANGE COMMISSION**

YEAR ENDED DECEMBER 31, 2009

| | |
|---|------------------|
| Net capital, stockholders' equity | <u>\$ 8,400</u> |
| Aggregate indebtedness, accounts payable | <u>\$ 13,068</u> |
| Computation of basic net capital requirements: | |
| Minimum net capital required: | |
| Corporation (aggregated indebtedness x 6.67%) | <u>\$ 871</u> |
| Minimum dollar net capital required | <u>\$ 5,000</u> |
| Net capital | \$ 8,400 |
| Less, minimum dollar net capital required | <u>5,000</u> |
| Excess net capital | <u>\$ 3,400</u> |
| Net capital | \$ 8,400 |
| Aggregate indebtedness x 10% | <u>1,307</u> |
| Excess net capital at 1,000% | <u>\$ 7,093</u> |
| Ratio, aggregate indebtedness to net capital | <u>1.56</u> |
| Reconciliation with corporation's computation: | |
| Net Capital as reported in Corporation's Part IIA (Unaudited) FOCUS report | <u>\$ 8,400</u> |
| Net capital per above | <u>\$ 8,400</u> |



Independent Auditors' Report On Internal Control

Stockholders
PFA Security Asset Management, Inc.
Camp Hill, Pennsylvania

In planning and performing our audit of the basic financial statement of PFA Security Asset Management, Inc. as of December 31, 2009, the financial statements of PFA Security Asset Management, Inc. as of December 31, 2008 were audited by other accountants whose report was dated February 11, 2009, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Corporation including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Corporation does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Corporation in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons.
2. Recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Corporation is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute assurance, that assets for which the Corporation has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in conformity with accounting principles accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control of the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the U.S. Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives, in all material respects, indicate a material inadequacy for such purposes. Based upon this understanding and on our study, we believe that the Corporation's practices and procedures were adequate at December 31, 2009 to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the U.S. Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than those specified parties.

Brown Schultz Shoridan & Fritz

Camp Hill, Pennsylvania
February 23, 2010



Independent Auditors' Report On Exemption From
Provisions For Determination Of Reserve Requirements
Pursuant to Securities And Exchange Commission Rule 15c3-3

Stockholders
PFA Security Asset Management, Inc.
Camp Hill, Pennsylvania

Pursuant to our audit of the basic financial statement of PFA Security Asset Management, Inc. as of December 31, 2009, the financial statements of PFA Security Asset Management, Inc. as of December 31, 2008 were audited by other accountants whose report was dated February 11, 2009, we applied additional procedures regarding the Corporation's compliance with maintaining required customer reserves pursuant to Securities and Exchange Commission Rule 15c3-3.

Management believes that the Corporation is exempt from the provisions and requirements of Rule 15c3-3 under paragraph K-(1). Transactions are limited to mutual funds, annuities and liquidating sales in which the proceeds are immediately used to purchase investment company products. The Corporation does not carry securities accounts for customers or perform custodial functions relating to custodial securities.

In conducting our audit in accordance with auditing standards generally accepted in the United States of America, including supplementary information required by Rule 17a-5 of the Securities and Exchange Commissions, we noted no instances of noncompliance with the exemption from provisions identified in paragraph K-(1) of Rule 15c3-3.

Brown Schultz Sheridan & Fritz

Camp Hill, Pennsylvania
February 23, 2010